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PROVISIONAL SUMMARY RECORD OF THE 16th MEETING

Held at Headquarters, New York,
on Tuesday, 7 July 1992, at 3 p.m.

President: Mr. TRAXLER (Italy)
(Vice-President)

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Policy dialogue and discussion on important developments in the world economy and international economic cooperation with heads of multilateral financial and trade institutions of the United Nations system (continued)

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In the absence of the President, Mr. Traxler (Italy), Vice-President, took the Chair.

The meeting was called to order at 3.20 p.m.

POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH HEADS OF MULTILATERAL FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM (continued) (E/1992/27, E/1992/40, E/1992/64, E/1992/82 and Add.1)

Mr. MARKER (Pakistan), supported by Mr. MONTAÑO (Mexico), Mr. GUERRERO (Philippines) and Mr. MONGBE (Benin), proposed that the President should establish an open-ended working group under his chairmanship, possibly at the ambassadorial level, to review the documents before the Council and the ideas discussed during the high-level segment, as well as the President's summary of the segment's proceedings. The working group should then present its views to the General Assembly, thereby maximizing the impetus for progress in the economic and social field that had been generated by the debate.

Baroness CHALKER OF WALLASEY (United Kingdom), speaking on behalf of the States members of the European Community, said that those States saw merit in the simplicity of the Pakistan representative's proposal and wished to consider it further.

Mr. BOLTON (United States of America) suggested that the Council should dispense with its speakers' list the following day to enable participants to conduct a true debate on the items before it rather than read from prepared statements.

Mr. SEZAKI (Japan) said that his delegation wished to remain on the speakers' list for the following day.

The PRESIDENT said that he would have ample time to conduct consultations regarding the establishment of the proposed working group during the remainder of the Council's session.

Mr. PRESTON (President, World Bank), replying to questions raised by the United Kingdom representative on behalf of the States members of the European Community, said that he expected that, at least in the near term, capital availability would remain approximately at current levels. Availability was affected by real interest rates and, although they had declined from the higher levels of the mid-1980s, they were still quite high. A new general interest rate increase would of course increase the debt-servicing burden of the developing countries. The effect of the capital shortage varied from country to country, depending in part on how much it saved. A 1 per cent increase in national savings would release an additional $40 billion for government expenditures.

The United Kingdom representative had asked the agency heads for their views on the success of the international debt strategy. Some 25 per cent of debt owed to commercial banks had already been repaid under the Brady initiatives; further initiatives involving Argentina and Brazil would soon raise that percentage significantly. However, a number of countries faced very serious problems with respect to their obligations to official creditors. Although progress had been made during the past few years, thanks to extraordinary forgiveness gestures by bilateral donors, including the United Kingdom, the problems must continue to be addressed, particularly with respect to the poorer countries.

He agreed with the United Kingdom representative that it was imperative to emphasize human development in national and international aid programmes. The Bank had significantly increased its financing of human development activities, which would amount to $2.6 billion in 1992, and placed particular emphasis on women in development and family planning, with a focus on primary education. Bilateral donors also had been allocating more funds for such projects.

As to the United Kingdom representative's question regarding how the agencies planned to reconcile their support for Eastern Europe and the former Soviet Union with cooperation with their traditional clients, the Bank did not anticipate a strain on its capital resources or lending capacity and would be able to meet the needs of both groups. There was additional pressure on its

(Mr. Preston, World Bank)

staffing resources, and the Bank had had to hire new personnel to help meet the needs of its new clients.

On the question of coordination among the international organizations involved in Eastern Europe and the former Soviet Union, he said that coordination between the International Monetary Fund (IMF) and the World Bank was excellent and the Bank also cooperated closely with other institutions, including the European Bank for Reconstruction and Development. There definitely was a need for greater coordination between the relevant international organizations and bilateral donors and amongst bilateral donors themselves.

Concerning the importance of ensuring a proper division of labour between the various international organizations, he pointed out that the World Bank's concept of technical assistance was very different from that of other organizations in the United Nations system. To the Bank, technical assistance meant expertise that had to be brought in from outside the Bank itself for a particular project. The Bank was cognizant of the expertise available in the various organizations in the United Nations system and tried not to intrude when, in its view, they presented a significant comparative advantage.

Mr. CAMDESSUS (Managing Director, International Monetary Fund), referring to the alleged shortage of global savings, said that the real problem was, rather, one of misuse of savings, as reflected in poor management of public financing and spending on unproductive, prestige and military projects. If countries could be convinced universally to proceed with the required adjustments, they would have the necessary savings to finance a better future. Balanced budgets were the most effective tool for ensuring sustainable growth.

As to the question regarding the success of the international debt strategy, he said that during the past few years major breakthroughs had reduced the debt crisis to a more manageable problem. Many countries had adopted very courageous structural adjustment measures to strengthen their economies and thus had placed themselves in a better position to face their financial problems. The United Kingdom representative had rightly stated that the problem was not simply to reduce debt burdens, but rather, to bring those

(Mr. Camdessus, IMF)

burdens in line with the payment capacities of countries. IMF was pursuing that goal very actively. In fact, once the contemplated actions had been taken with respect to Argentina and Brazil, approximately 85 per cent of Latin America's total debt would have been reduced or rescheduled, and thereby brought into line with the countries' payment capacities.

IMF was focusing attention on the problems of the poorest countries, and, thanks to the United Kingdom Government, in particular, and to the Trinidad terms, much more generous arrangements were being applied to several countries, with very positive results. IMF also recognized that low-middle-income countries still faced serious debt repayment problems. Greater flexibility would be needed on the part of their creditors, the common goal being to ensure that a country's capacity to finance development expenditure was compatible with the growth of the country.

IMF was concerned chiefly with protecting basic social expenditures, particularly education and health; in their efforts to reduce their budget deficits, countries often cut essential expenditures. Social safety nets must be put in place to protect the most vulnerable groups in society from the hardships brought about by structural changes. Protection of primary education resources in developing countries, particularly for girls, was also an essential part of population planning strategies. While donor countries were often asked to contribute to such costs, financing for social expenditures was difficult to arrange and, once arranged, disbursement was often slow. The Council must make a more convincing case for financing social costs, which were crucial to the success of adjustment programmes.

IMF's work had been made easier by a revolution in world opinion: the measures IMF recommended, though harsh, were henceforth recognized as being for the good of the countries concerned. The more it refined its strategies the better it understood the importance of social development, and for that it relied entirely on those organizations having the comparative advantage. It had therefore attempted to cooperate more closely with UNICEF, ILO and other agencies.

Elaborating on the reply he had given at the previous meeting, he stated that IMF was carrying out in-depth macroeconomic studies in Russia and also in

(Mr. Camdessus, IMF)

the 14 other former Soviet republics, and was giving technical assistance to help define macroeconomic and financial programmes. It was also beginning to discuss stabilization and adjustment programmes with those States that were IMF members. Belarus was about to become a member and it was hoped that a standby arrangements would shortly be in place for the Baltic States.

Mr. DADZIE (Secretary-General, United Nations Conference on Trade and Development), replying to a question put by the representative of Canada at the previous meeting, said that for the past few years UNCTAD had been doing analytical work on the interface between sustainable development and UNCTAD's main areas of activity: commodities, trade policy, technology and development finance. At the Cartagena conference, it had set itself additional tasks in the areas of environmental measures and trade rules, resources for environmental protection as well as economic development, environmentally sound technology cooperation, and natural resource management, as well as poverty alleviation. It hoped to play a role in building consensus on how to make environmental protection and sustainable growth mutually supportive, with due regard for the part that could be played by private enterprise. UNCTAD would also devote itself to enhancing common perceptions of how best to integrate the environmental dimension into development and into policies in its main areas of interest. Finally, UNCTAD wished to promote an integrated approach to problems of poverty alleviation, in full cooperation with the other organizations engaged in that vast endeavour.

Although difficulties might arise over the division of labour or jurisdiction, they should not be insuperable. Procedures and systems were in place for prior consultation on work programmes, for independent action by intergovernmental bodies to eliminate overlapping, and, most importantly, for joint planning so that all parties could work in concert, bearing in mind the need for optimal utilization of resources. As economists could not be converted into environmental economists overnight, practical difficulties were also to be expected; it should be possible to overcome them also, inter alia, by retraining.

He, too, doubted that there truly was a shortage of global savings. Morever, he did not believe that shortage of savings was the real cause of

(Mr. Dadzie)

developing countries' financial difficulties. There was doubt, too, as to whether policies to increase savings, which would decrease consumption, were quite the ones to pursue during a recession. What was needed was to address institutional weaknesses in the financial system, including misuse of public funds and speculative excesses.

With respect to the possible diversion of resources from developing countries to the countries of Central and Eastern Europe, he pointed out that the OECD countries were on record as saying that their support for reforms in Central and Eastern Europe would not interfere with their commitment to the developing world. He thought that the World Bank could still lend more without crowding out developing countries, while the Fund's ninth quota increase, due soon, should help.

Regarding the debt situation his reading was less optimistic. Although some progress had been made the crisis was far from resolved: in the case of some countries the agreements were more akin to conventional debt reschedulings; in the case of others, while debts had been reduced in one area new debts had been contracted in other areas. Moreover, the arrangements had made the remaining debt harder to restructure. On official debt, progress had been made through the Trinidad terms, but the Netherlands proposals might have been still more helpful. With respect to multilateral debt, he hoped that the international financial institutions would proceed with their debt interest subsidy schemes and refinancing arrangements as quickly as possible.

Mr. MONGBE (Benin) said that between July 1991 and July 1992 the salient developments in international economic cooperation had been the adoption of the United Nations New Agenda for the Development of Africa in the 1990s - as embodied in General Assembly resolution 46/151 - the results of the eighth session of the United Nations Conference on Trade and Development, held at Cartagena, Colombia, in February 1992, and the adoption of Agenda 21 by the United Nations Conference on Environment and Development held in Rio.

The final review of the implementation of the United Nations Programme of Action for African Economic Recovery and Development had resulted in the adoption of a new agreement wherein the goals were clearly defined: the various specialized agencies were to develop specific programmes for Africa

(Mr. Mongbe, Benin)

and devote sufficient resources to their implementation. His delegation would be glad to learn from the heads of the multilateral financial and commercial institutions of the United Nations system what specific programmes they were developing for Africa.

His delegation was encouraged by the new spirit of cooperation reflected in the results of the Cartagena conference and hoped that the institutional reform of UNCTAD begun there would contribute to the pursuit of multilateral economic cooperation efforts and to stricter regulation of the multilateral trading system. It wished to ask the Secretary-General of UNCTAD whether his institution could by the end of 1993 carry out new studies on the impact on developing countries, and particularly the least developed countries, of the current policies of the World Bank, IMF and GATT with respect to the integration of questions of trade and development.

Agenda 21 would over the next few years be the Bible of international economic cooperation, but it could not resolve the world's problems unless everyone worked together to make the notion of sustainable development a reality.

The Rio conference had, as a compromise, decided that the restructured Global Environment Facility (GEF) would provide financing for Agenda 21 projects and programmes for global integration of environment and development for a three-year period. If it proved effective the system could be extended. Otherwise, negotiations would have to begin to work out alternate funding for Agenda 21. His delegation asked the representative of the World Bank for information on the phases of GEF restructuring and its actual funding capacity for Agenda 21 projects and programmes as of 1993.

Unless efforts were made within the next two years to hold the international conference on development financing proposed by the former Secretary-General of the United Nations, and the conference on social development first mooted by the President of Chile and supported by the President of the French Republic, the results of the Rio conference might not live up to expectations. His delegation would be interested to learn the views of the representatives of the multilateral financial and commercial institutions on those two conferences.

Mr. ENE (Romania) expressed his Government's appreciation of the work of the United Nations specialized agencies, and its gratitude for the assistance Romania had received from them.

One of the main topics of discussion at the previous session of the Economic and Social Council had been implications for Member States of uncontrollable external shocks. Appropriate United Nations machinery was needed to deal with at least one such case. Romania had been seriously affected by the economic sanctions imposed by the Security Council. Although the Charter, and the relevant resolutions, provided for compensation to States so affected, no concrete action had yet been taken. States loyal to their obligations under the Charter were those which suffered the most. The issue was a new one for the United Nations, and had come about at a time when the organization had a newly enhanced capacity for action; in Romania's view, the United Nations system was not equipped to cope effectively with such circumstances.

In his latest report on the work of the organization the Secretary-General had referred to the need to complete Article 50 of the Charter of the United Nations with appropriate arrangements. It would be interesting to hear whether the heads of the various financial institutions had given any thought to measures to insulate States from the difficulties they might face in complying with sanctions adopted under Article 41 of the Charter.

Mr. SERSALE di CERISANO (Argentina) recalled that, at the Council's previous session, the elimination of farm subsidies and the conversion of military expenditures had been cited as two possible sources of funding for development. He wondered what had been the practical results of the cooperative study of the matter undertaken by the General Assembly and IMF.

Secondly, his delegation felt that there was often an undue emphasis on development as opposed to growth; without growth, there could in the long term be no development. According to forecasts cited in the World Economic Survey 1992 (table I.1), world output would grow at the rate of 1 per cent in 1992 and 3 per cent in 1993. Growth of world output per capita would, however, be -0.7 and 1.3 per cent respectively.

(Mr. Sersale di Cerisano, Argentina)

Argentina wished to know what fiscal and monetary policies the major industrialized countries intended to implement for the revitalization of economic growth world wide, and particularly in the developing countries. He stressed the need for increased cooperation between the General Assembly and the multilateral financial institutions in working towards that goal. Argentina also believed that the recommendations on economic contraction should be made more flexible and that efforts should be made to promote long-term investment in such areas as industry and education, which would lead to sustained and sustainable economic growth.

Regarding the recommendation in resolution 45/264 that the heads of concerned specialized agencies should actively contribute to the policy dialogue, Argentina wondered, in the light of the experience accumulated so far, what recommendations the agency heads had formulated and what the multilateral financial institutions could do for the United Nations system. In particular, he suggested that the Secretary-General could attend annual meetings of IMF and the World Bank, with a view to strengthening cooperation between their respective organizations.

Mr. KRINGSTAD (Observer for Norway) recalled that in adopting the New Agenda for the Development of Africa in the 1990s, the international community had accepted the principle of shared responsibility and strengthened partnership with Africa and committed itself to supporting African efforts. Norway regretted that there had been little evidence of follow-up to that undertaking, either inside or outside the United Nations, and stressed that such efforts were particularly needed at the current time in view of the severe drought in southern Africa.

A permanent solution must be found to the debt problem. National debt relief measures must be improved and structural adjustment programmes implemented in collaboration with the Bretton Woods institutions in order to achieve economic growth while respecting social concerns. It was therefore vital to ensure that those institutions had sufficient resources and, in that context, he drew attention to the ongoing replenishment of the International Development Association (IDA) and the revision of IMF quotas and stressed the need to strengthen such existing debt relief measures as the so-called fifth

(Mr. Kringstad, Observer, Norway)

dimension of the World Bank. In addition, innovative approaches should be sought to the debt problem of Africa and new, efficient ways found to improve economic growth in individual countries.

Mr. PRESTON (World Bank), responding to the question raised by the representative of Norway concerning programmes for Africa, said that the World Bank had committed an amount close to US$ 4 billion for African programmes for the financial year 1992, which was fully consistent with the agenda for Africa, and that particular attention would be given to credits for southern African countries devastated by the drought. In addition, considerable assistance in the form of debt forgiveness measures was being provided on a bilateral basis and measures were being implemented under the Bank's fifth dimension to alleviate the burden of debt-service obligations.

While extensive efforts were being made by the Bank to address the special problems of Africa, more assistance was still required, particularly from donor countries, to alleviate the situation of a number of countries undergoing arduous structural adjustment programmes.

The World Bank hoped that the difficulties caused by the drought would not divert countries from the course of structural adjustment and he therefore welcomed Norway's support for IDA and trusted that other delegations would follow suit.

He welcomed the proposal by Argentina that the Secretary-General should attend annual meetings of the Bank but noted that, as the Bank's annual meetings were held during the General Assembly, the Secretary-General might find it difficult to attend.

With regard to the question raised by the representative of Romania, he said that the World Bank did consider the impact of any political upheaval when assessing the financial situation of borrowing countries, both in terms of the Bank's macroeconomic analysis and with respect to specific lending projects under consideration, and that IMF did have a compensatory facility.

Finally, with regard to the question raised by the representative of Benin concerning the Global Environment Facility (GEF), he said that the Bank would shortly convene a meeting to discuss the governance of the Facility and that funding issues would be addressed in 1993.

Mr. SARDENBERG (Brazil) welcomed the proposal by Pakistan on the establishment of an open-ended working group to study the points raised during the high-level debate, and he noted that there had been general agreement during the debate on a variety of economic issues.

It was generally agreed that the developed countries should ensure better coordination of their macroeconomic policies, including trade; lack of such coordination had led to the deadlock at the Uruguay Round. Developed countries had a special responsibility to secure the successful outcome of the Round, since the trade component of the world economic equation was crucial for world economic growth.

One of the lessons of the United Nations Conference on Environment and Development had been that current levels of development assistance from the developed countries were insufficient and must be greatly increased before new tasks could be undertaken. The eradication of global poverty and the promotion of human development demanded staggering resources, to be measured in tens of billions of dollars.

While Brazil welcomed the proposed restructuring of ODA, that would merely provide a short-term answer to the problem of funding social development: the only permanent solution lay in growth and economic development. The developing world could no longer wait for trickle-down effects and creative new policies were urgently needed from the developed world and the Bretton Woods institutions, such as those successfully devised for the transition economies.

He therefore welcomed the IMF proposal on the building of a social pillar, since it was important to encourage the perception that economic adjustment had a social dimension. For that reason, Brazil supported the holding of a summit on social development.

Mr. BEJARANO (Colombia) said that the United Nations enjoyed great advantages both as a coordinating mechanism and a catalyst for international technical cooperation. Colombia therefore believed that, while the Bretton Woods institutions should continue to play the primary role in administering international cooperation for sustainable development and the elimination of

(Mr. Bejarano, Colombia)

poverty, there should be increased cooperation between those institutions and the funds and projects of the United Nations system.

The developing countries required assistance not only in the form of credits and grants, but also through increased and freer access to the markets of developed countries. While many developing countries had instituted major economic reforms, liberalizing their markets and limiting the role of the State, developed countries continued to pursue development strategies which were not always transparent. In particular, products that were of particular importance to developing countries continued to come up against the same old trade barriers. Colombia wondered to what extent the multilateral financial institutions were responsible for those restrictive practices, and how much they could be expected to assist the developing countries in overcoming the barriers to trade.

In general, better coordination was required between countries and the Bretton Woods institutions in order to prevent disruption in public investments. He wondered whether countries like Colombia, which had complied strictly with their commitments in regard to external debt-servicing, would obtain any particular advantages from the multilateral financial institutions.

Colombia had made great diplomatic efforts to foster understanding between the developed and developing countries at the eighth session of the United Nations Conference on Trade and Development and he believed that the consensus which had been achieved - the spirit of Cartagena - could lead to the effective revitalization of UNCTAD, given proper implementation of the programmes which had been approved and efforts to spread that spirit at the forthcoming meeting of the Trade and Development Board in January 1993.

Mr. SAMUELSSON (Sweden) said that over the years a substantial number of tasks had been shifted from the United Nations proper to the multilateral development banks, largely because many donors believed that those institutions, particularly the World Bank, were more competent in managing programmes and more responsive to donor concerns. The World Bank had not only expanded its operational activities into traditional United Nations fields, but had also assumed a more important role in aid coordination through

(Mr. Samuelsson, Sweden)

the consultative groups. The continuation of that expansion might overstretch the capacity of the World Bank, forcing it to lose its competitive edge. It was essential to establish a clearer division of labour between the United Nations system and the multilateral development banks, exploiting the relative strengths and comparative advantages of the various agencies. Closer cooperation between the United Nations system and the Bretton Woods institutions was possible in many areas. The regional development banks would be increasingly important multilateral players since many development issues could be best addressed at the regional level.

As more and more institutions had been set up to deal with the widening range of activities in which the United Nations was involved, the system had become less coherent. A number of steps were necessary to remedy the situation. Firstly, the Secretariat needed to be further strengthened and streamlined in order to identify and give priority to issues that were global and urgent. It should play a crucial strategic and analytical role and carry out the functions of an International Development Council. Secondly, there must be a clear-cut division of labour in order to improve collaboration within the United Nations system. Coordination would be further enhanced through the adoption of a "common philosophy", clearer objectives promoting cooperation among all the agencies and a more precise definition of the mandates of the various agencies, funds and programmes of the system.

The original mandates of the specialized agencies as centres of excellence and global leadership in their areas of concern had been eroded. Their technical and professional quality had deteriorated in numerous areas. Many agencies competed for projects with an intersectoral profile because of overlapping and duplication. Sweden believed that the agencies had three main functions: serving as forums for sector-specific discussions, developing international standards and providing policy advice. Accordingly, it was necessary to strengthen the normative role of the specialized agencies, modify their negotiating machinery, make consistent efforts to restore their analytical capacity by setting clearer priorities, redress the balance between the regular budget and extrabudgetary resources, and redefine the role of the agencies in providing technical cooperation.

(Mr. Samuelsson, Sweden)

One of the main tasks ahead was to strengthen the United Nations and optimize the impact of the multilateral system as a whole. Combining too many functions in any one multilateral organization created problems. The comparative advantages of the various agencies should be better identified. A more clear-cut division of labour would help to reduce duplication and overlap. To address those issues and facilitate coordination, strong leadership and a sense of system-wide partnership was needed. The Secretary-General had already taken decisive steps in the right direction.

Mr. KHARRAZI (Islamic Republic of Iran) said that many developing countries had undertaken drastic economic reforms in order to establish market-oriented economies. Unfortunately, they were not receiving the necessary financial support. High long-term interest rates were impeding the development efforts of the developing countries, particularly the Persian Gulf States, which were trying to rebuild their economies after two devastating wars in the region. In view of the increased world demand for capital and the need for financial resources on the part of developing countries, his delegation would like to know whether the Bretton Woods institutions had any plans for dealing with the credit shortage experienced by the countries of the South. His country would also appreciate information on future trends in the financial markets and the challenges for the developing countries in that regard. Lastly, he supported the proposal by Pakistan to establish an open-ended working group.

Mr. HADID (Algeria) said that it was encouraging that the Managing Director of the International Monetary Fund had referred to the need to consider social aspects as one of the pillars of international cooperation in general and of structural adjustment programmes in particular. That reflected the importance which should be given to social aspects and should lead to a more positive approach than had been followed in the past. Algeria viewed positively the potential for cooperation between the United Nations funds and programmes, the specialized agencies and the Bretton Woods institutions. In that connection, he stressed the need to organize cooperation between the United Nations system and the Bretton Woods institutions in such a way as to ensure continuity and eliminate the time-lag between problem identification

(Mr. Hadid, Algeria)

and corrective action. That time-lag might undermine the notion of the comparative advantages of the specialized agencies. He wished to know whether there were plans to set up an operational mechanism for ensuring such coordination and real complementarity. The Managing Director of the International Monetary Fund had referred to additional actions for low-income and lower middle-income countries. His delegation would like to know whether such actions were also contemplated for other indebted countries, including those which had not resorted to debt rescheduling. Lastly, he supported the proposal to set up a working group to follow up the high-level debate within the framework of the Council or the General Assembly.

Mr. GUERRERO (Philippines) said that his country was having difficulty meeting its people's basic needs particularly in the field of health, education and employment, because 40 per cent of its budget went to service its debt. He stressed the need to give greater attention to the requirements of the middle-income countries, particularly with regard to debt relief, and expressed the hope that measures would be taken with that specific purpose in mind.

Mr. DADZIE (Secretary-General, United Nations Conference on Trade and Development), replying to a question raised by Benin, said that in 1990 UNCTAD had prepared a study on the effects of the policies of the World Bank, IMF and GATT on enhancing trade and development in the least developed countries. Similar information would be provided in the annual report to the Trade and Development Board within the context of its review of progress made in implementing the programme of action for the least developed countries. A similar report could also be provided to the Council upon request. He assured the representative of Colombia that there would be a vigorous follow-up to the reform measures agreed upon at the Cartagena conference by January 1993. Most of the reforms in question had already been initiated. The new intergovernmental structure and bodies had already been given the terms of reference that had been unanimously adopted. Preparations were under way for the initial meetings of those bodies in September and October 1992 and proposals were being drawn up with regard to their programmes of work.

(Mr. Dadzie)

The new substantive orientation of work had already been set forth in a draft programme of work for the period up to 1995 and had already been approved by the Trade and Development Board. The UNCTAD secretariat had revised the medium-term plan, which would be considered by the Committee for Programme and Coordination in September. On the basis of that plan and the Board's work programme, the secretariat had drawn up its own work programme and proposals for a far-reaching reorganization of the secretariat. In October, the Board would consider the possible establishment of a new body to study the issue of structural adjustment for the transition to disarmament and the implications of such a transition for the growth and development of developing countries. Lastly, upcoming negotiations would focus on the precise nature of the institutional arrangements and substantive work relating to the follow-up to the Rio conference by UNCTAD.

Mr. PRESTON (President, World Bank) said that Colombia was one of the very few developing countries that had coped with the problem of heavy indebtedness without interrupting its debt-servicing. Access to private capital markets had been of considerable benefit to the Government, which had managed its economy very well. While it might seem that too much attention was paid to the poorer countries and their debt problems, certain countries, such as Colombia, Indonesia and India enjoyed enormous advantages because of their access to the private capital markets and had avoided the difficulties of the extreme adjustment process that some of their neighbours had undergone. He did not feel that the Bank was overstretching itself in its various responsibilities or losing its competitive advantage. The Bank was careful to engage in activities where it had a comparative advantage and left its sister institutions in the United Nations family to specialize in the areas where they had a competitive advantage.

Regarding the alleged shortage of capital, he said that if such a shortage did exist, it was certainly not severe. Countries which had appropriate programmes received funds from IBRD, IDA and IMF. Concern about the shortage of capital stemmed from the increased competition for capital among developing countries. The enormous flows of funds back to Latin America demonstrated that capital would be forthcoming provided that a country pursued

(Mr. Preston, World Bank)

sensible policies. Until markets were sufficiently developed, however, capital could flow just as quickly out of a country. Growth in the Philippines had been slow since 1965 for a number of reasons, many of which related to the economic policies pursued. The Philippines had become eligible for assistance from the International Development Association because of a drop in incomes and for loans from IBRD. That country had undergone debt rescheduling, which was designed to alleviate its fiscal burden. The problem was serious and also involved the question of domestic management.

Mr. MARTIN (Australia) said that general agreement had been reached on the need for constructive change and to seize the opportunity at hand. His delegation firmly supported the very helpful proposal made by Pakistan in that regard. Australia favoured the establishment of an open-ended group of Member States represented at the highest level to consider how to implement the ideas and proposals put forward at the high-level segment. It was essential to establish a procedure for maintaining the momentum achieved.

Mr. RISTIMÄKI (Finland) recalled that, the previous day, his delegation had proposed a follow-up process in order to continue the discussion of reform issues. The proposal was along the lines of the open-ended informal working group on the question of humanitarian assistance coordination set up at the forty-sixth session of the General Assembly.

The PRESIDENT said that the discussion that afternoon had been characterized by an absence of confrontation and a general awareness of the need for the United Nations to respond to the challenges of poverty and underdevelopment through better coordination and best possible use of available resources. The idea of a single world economy had emerged. Reference had been made to the social pillar of sustainable development, including education, health, grass-roots participation in development, democracy and respect for human rights. It had been felt that development must also be sustainable in social and human terms. The proposal by Pakistan had received a favourable response, showing that there was general agreement that the time had come to act.

The meeting rose at 6.05 p.m.